

Message Text

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P 100146Z DEC 74
FM SECSTATE WASHDC
TO AMEMBASSY PORT AU PRINCE PRIORITY

C O N F I D E N T I A L STATE 270182

EXDIS

E.O. 11652: GDS
TAGS: EMIN, EINV, HA
SUBJECT: REYNOLDS NEGOTIATIONS

REF: PORT AU PRINCE 2348

1. REYNOLDS REPRESENTATIVES MCCONNELL, SIKOROVSKY AND ASHTON CALLED ON ASST SECRETARY ENDERS DECEMBER 9 TO INFORM HIM OF REYNOLDS NEGOTIATIONS WITH GOH AND TO ASK USG ASSISTANCE ON CERTAIN POINTS.

2. SIKOROVSKY RECOUNTED RESULTS OF NEGOTIATIONS (REFTEL), UNPLEASANT ATMOSPHERE OF NEGOTIATIONS AND PRESSURES USED BY HAITIANS TO FORCE HASTY AGREEMENT. COMMERCE AND INDUSTRY MINISTER FOURCAND DESCRIBED AS RUNNING THE SHOW; PRESIDENT DUVALIER PRESENT MUCH OF THE TIME. REYNOLDS OFFICIALS OBJECTED THAT:

A. REYNOLDS FIGURES REJECTED OUT OF HAND BY HAITIANS IN DEMEANING FASHION.

B. GOH REPEATEDLY INJECTED ADDITIONAL DEMANDS WHEN
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FINAL AGREEMENT APPEARED NEAR, E.G., 50 CENT ROYALTY

PAYMENT (WHICH REYNOLDS HOPES HAITI WILL ACCEPT AS AN
OFFSET TO TAX PAYMENTS IN FUTURE NEGOTIATIONS).

C. IMMEDIATE YES-NO ANSWERS WERE REQUIRED WITHOUT
REASONABLE TIME TO CONSIDER OR REFER TO RICHMOND, WITH
EXPLICIT THREAT THAT WITH FAILURE TO AGREE GOH WOULD
BREAK OFF TALKS AND RELEASE STATEMENT CONDEMNING
REYNOLDS OPERATIONS. DEMAND FOR 60 PERCENT WAGE INCREASE
MADE IN THIS CONTEXT (SUBSEQUENTLY GOH APPEARED TO BACK
OFF THIS DEMAND).

D. WHILE REYNOLDS REPS SIGNED AGREEMENT DECEMBER 2 CON-
TAINING COMPANY COMMITMENTS, GOH COMMITMENTS WERE GIVEN
ORALLY, THEN WITHDRAWN AND NOT INCLUDED IN IMPLEMENTING
DECREES OF DECEMBER 4.

E. HARASSMENT OF REYNOLDS NEGOTIATORS THROUGH DIATRIBES
BY FOURCAND AND TACTICS SUCH AS INSISTENCE THAT
SIKOROVSKY PRODUCE POWER OF ATTORNEY.

F. ALLEGATIONS OF ILLEGAL CONDUCT BY REYNOLDS LEADING
TO DEMAND FOR DOLS 15 MILLION IN BACK TAXES, SEEMING
WITHDRAWAL OF DEMAND, AND THEN ASSESSMENT OF TAX THIS
WEEK.

3. ACCORDING TO SIKOROVSKY, FOURCAND CLAIMED REYNOLDS
HAD DEFRAUDED HAITI BY CHEATING ON MOISTURE CONTENT
CERTIFICATION FOR BAUXITE SHIPMENTS AND BY GIVING UN-
REALISTICALLY LOW INVOICE VALUATIONS. A TEST ALLEGEDLY
RUN FOR GOH BY DADE COUNTY LAB SHOWED BAUXITE SAMPLE
HAD 4 PERCENT RATHER THAN 12 PERCENT MOISTURE CONTENT
CERTIFIED BY REYNOLDS. AS RESULT FOURCAND CLAIMED
REYNOLDS HAD HARMED HAITI'S BALANCE OF PAYMENTS AND
OWED HAITI DOLS 15 MILLION IN BACK TAXES, BUT HE ALSO
OFFERED TO ERASE CLAIM IF NEW AGREEMENT REACHED.
FOLLOWING SIGNING OF AGREEMENT, BACK TAXES AGAIN MEN-
TIONED BRIEFLY ON DECEMBER 3 AND IN MEETING WITH REYNOLDS
REPS AND HAITIAN MINISTERS ON DECEMBER 4, WHEN IT WAS
ANTICIPATED THAT PRESIDENT DUVALIER WOULD ABSOLVE REY-
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NOLDS OF ANY BACK TAXES, PRESIDENT INSTEAD SAID HE WAS
PLEASED THAT REYNOLDS RECOGNIZES HAITIAN SOVEREIGNTY
IN REGARD TO SUCH MATTERS AS BACK TAXES. SIKOROVSKY
HAS INFORMED DEPT THAT DOLS 15 MILLION ASSESSMENT HAS
BEEN SERVED ON THE COMPANY.

4. TERMS OF AGREEMENT WITH GOH CALL FOR REYNOLDS TO
PAY DOLS 5 MILLION BY DECEMBER 15 AS PART PAYMENT OF

1974 TAXES. REYNOLDS IS UNWILLING TO MAKE PAYMENT UNTIL CONFIDENCE IS REESTABLISHED IN REYNOLDS-GOH RELATIONSHIP AND DOLS 15 MILLION BACK TAX CLAIM IS DROPPED.

5. BREAKDOWN IN CONFIDENCE BETWEEN REYNOLDS AND GOH IS VERY TROUBLESOME AND TIME FACTOR IS IMPORTANT IN VIEW OF DEADLINE FOR DOLS 5 MILLION PAYMENT. REYNOLDS WANTS DOLS 15 MILLION BACK INCOME TAX CLAIM RESCINDED AS A CONDITION FOR MAKING ITS DOLS 5 MILLION PAYMENT ON TIME; RECOGNITION THAT THERE IS NO CHARGE OF FRAUDULENT SHIPPING OR VALUATION BY THE COMPANY; FIRM WRITTEN AGREEMENT CONFIRMING HAITIAN UNDERTAKINGS AND COMMITMENTS; RECOGNITION THAT ORE CARRIERS WILL BE AUTHORIZED TO LOAD BAUXITE WITHOUT THE HARASSMENT EXPERIENCED IN RECENT WEEKS; ASSURANCES THAT HOSTILE PROPAGANDA CAMPAIGN WILL STOP; AND A CLIMATE OF CONFIDENCE WILL BE REBUILT AND ITS EMPLOYEES WILL NOT HAVE REASON TO FEAR FOR THEIR WELFARE. (REYNOLDS REPS STATE THEY ARE GIVING CONSIDERATION TO WITHDRAWING THEIR PERSONNEL FOR THEIR PROTECTION.)

6. REYNOLDS, RECOGNIZING THAT IT HAS PRINCIPAL RESPONSIBILITY FOR ITS NEGOTIATIONS WITH GOH, IS WILLING TO MAKE THESE POINTS IN COMMUNICATION TO HAITIAN GOVERNMENT, BUT WOULD LIKE EMBASSY TO USE GOOD OFFICES TO GET NEGOTIATIONS BACK ON A CONSTRUCTIVE TRACK. REYNOLDS IS WILLING TO PUT ITS VIEWS IN WRITING TO GOH BUT RELUCTANT TO DO SO LEST IT BACK FOURCAND AND GOH TO THE WALL.

7. UNLESS YOU PERCEIVE OBJECTION, REQUEST AMBASSADOR APPROACH FOURCAND SOONEST TO INDICATE PROBLEMS REYNOLDS IS HAVING WITH PRESENT SITUATION AND TO SOUND OUT CONFIDENTIAL

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MINISTER ON HOW NEGOTIATIONS COULD BE RESOLVED TO FACILITATE MUTUALLY BENEFICIAL LONG TERM RELATIONSHIP. IN THIS REGARD, AMBASSADOR SHOULD SEEK CLARIFICATION ON DOLS 15 MILLION BACK TAX CLAIM WHICH REYNOLDS UNDERSTOOD HAD BEEN DROPPED IN RETURN FOR COMPANY'S AGREEMENT TO INCREASED TAX LEVY. YOU SHOULD STRESS THAT DEPARTMENT BELIEVES GOH AND REYNOLDS SHOULD HOLD FURTHER TALKS ON THESE MATTERS IN AN ENVIRONMENT THAT WOULD BE MORE CONDUCTIVE TO ESTABLISHING MUTUAL CONFIDENCE THAN THE ONE

DESCRIBED BY REYNOLDS REPS. COMPANY HAS ASKED IF EMBASSY WOULD BE WILLING TO PROVIDE OFFICER AS NEUTRAL OBSERVER. IN LIGHT OF AMBASSADOR'S APPROACH TO FOURCAND, REYNOLDS WOULD ALSO BE INTERESTED IN EMBASSY SUGGESTIONS ON HOW COMPANY MIGHT CAST TERMS OF ITS WRITTEN MESSAGE

TO GOH SO AS TO ELICIT NECESSARY AND HELPFUL RESPONSE
FROM GOH. KISSINGER

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